

Foundations of the KOFFI program under the new FENG perspective

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Agenda


➤ KOFFI 1.0 (SGOP) vs. KOFFI 2.0 (EFME)

➤ Program assumptions under the FENG perspective

➤ Selection criteria for VC fund managers

➤ Decision timeline

➤ Q&A



KOFFI 1.0 (SGOP) vs.
KOFFI 2.0 (EFME)

The KOFFI program pursues a number of business goals



Development of the venture capital market, including support for existing funds or building new management teams specialized in growth and expansion stage investments.



Support the development of as many SMEs as possible in the growth and expansion stage



Implementation of the best VC standards in Poland.



Attract private investors and encourage them to make investments in VC funds, and then keep them in the market.



Development of human capital with a high degree of specialization and experience in innovative technology solutions.



Increase in the internationalization of business, including the entry of Polish companies into foreign markets.



Changes under KOFFI 2.0 are a response to the needs of the Polish VC market

- PFR KOFFI 2.0 investment ticket in VC fund: up to **PLN 80 million** / previously up to PLN 60 million
- Participation of PFR KOFFI 2.0 in the VC Fund: **up to 60%** - state aid / previously up to 50%
- Introduction of asymmetry in profit distribution (multiplier **up to 1.5x**) - state aid / previously pro-rata
- Limit on management fee + fund costs: **22% of capitalization** over the entire investment horizon
- Carried Interest **up to 30%**
- Support for the local ecosystem: at least **85%** of the funds invested in Polish companies and a maximum of **15%** of the funds invested in foreign companies with a Polish element



Program assumptions under the FENG perspective

Main principles of the PFR KOFFI 2.0 program for VC funds



Target group

VC funds investing in growth and expansion stage startups (post-seed)



Preferred legal form

Limited partnership,
Limited joint-stock partnership



PFR KOFFI 2.0 contribution

Up to PLN 80 mln
Max. 60% of fund capitalization



Time commitment

Min. 2 KP member for 80-100% of professional time



Investment Committee

KP member + PFRV observer (limited veto right)



Carried Interest

Max. 20-25-30% (quoted by VC)



Hurdle Rate

At least 6%



Investment Period / Investment Horizon Length

5 year (until 2029)/
max. 12 years



GP's contribution

Min. 1% of Declared Capitalization



Profit asymmetry

1.5x the private investor's share of the profits compared to their participation in the VC Fund

Main principles of the PFR KOFFI 2.0 regarding investments in companies



Investment stage

Expansion/Growth stage (post-seed)



Investment ticket

At least PLN 4 mln



Minority holdings

Less than 50% in First Investment



Limit on shares acquisition from existing shareholders

Buyback of up to 50% of the investment value



Follow-on investments

Up to 60% of Investment Budget



Follow-on after the Investment Period

Max. 30%



Company headquarters

Min. 85% of portfolio – Poland

Max. 15% of portfolio – foreign* + Polish element



Polish element

Significant portion of operations in Poland (min. 50%)

*EU, EFTA, EEA, UK

The background of the slide is a low-angle, upward-looking photograph of a city skyline. Several tall, modern skyscrapers with glass facades are visible, reaching towards a bright, hazy sky. A large commercial airplane is captured in flight, flying from the bottom center towards the top center of the frame. The entire image has a semi-transparent red overlay.

Selection criteria for VC fund managers

Selection Criteria for VC Funds by PFR KOFFI

2.0.



Team as a key aspect to be evaluated in the Tender

Obszary krytyczne w ocenie Zespołu



Investment experience



Complementarity of experience



Experience in line with the investment policy



Previous cooperation of the Team

Who/what we are looking for

- Individuals with solid investment experience within the Team, particularly at the expansion stage
- Complementary of the Team in terms of investment, entrepreneurial and industry experience
- Individuals with experience in companies consistent with the fund's investment policy
- A team with an existing track record of joint collaboration in investments, work or other projects
- Credible full involvement of Key Personnel members in the fund's activities
- Commitment of capital of members of Key Personnel at the highest possible level (adequate to their asset value)

Most common undesirable situations

- Lack of any member of the Team with investment experience, or the experience is outdated or inadequate (e.g., buyout investments)
- Actual experience and professional achievements significantly different from those declared in the Tender
- VC fund specialization not backed by experience of Team members
- Short track record of cooperation of the majority of the Team (e.g. 1 year), no joint investments or projects
- Key Personnel (declaring 40 hrs/week) planning to continue other professional activities
- Team/Key Personnel declaring a minimum capital commitment of 1%

Other undesirable situations in tenders based on experience with SGOP 1/3

Fund size and economics



- High target capitalization of the fund compared to their investment experience
- Inefficient fund economics (e.g., low salaries of Team members due to too large a Team or participation of external parties in the fund management fee)
- Team too small in relation to the target capitalization of the fund

Investment Policy



- Industry profile of the fund not supported by the experience of Team members in the relevant area
- Lack of compliance with the program's term-sheet
- Unrealistic or vague investment policies, such as deal flow generation

Pipeline



- Low quality and credibility of the indicated investment projects
- Lack of clear investment theses for the indicated projects
- Investment projects inconsistent with the fund's investment policy (lack of innovation, companies with commercial revenues, foreign companies with limited ties to Poland)

Other undesirable situations in tenders based on experience with SGOP 2/3

Structure of the Managing Entity



- Complicated and unclear ownership structure of the Managing Entity
 - Inconsistency between the ownership structure and the structure of contributions made
 - Inadequate contributions of Key Personnel members in relation to their assets
 - Lack of Key Personnel members on the Managing Entity's board of directors
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Carried Interest



- Allocation of Carried Interest inadequate for time commitment, financial commitment and contributed know-how
 - Carried Interest over-allocated to persons declaring low time or financial commitment
 - Part of Carried Interest allocated to investors or persons/entities affiliated with investors
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Investors



- Affiliations of investors with the Management Entity Team
- Declarations from investors with reputational problems
- Undiversified investor structure (a min. of 3 investors is welcome)

Other undesirable situations in tenders based on experience with SGOP 3/3

Investment decision process and criteria



- Limited decision-making of Key Personnel members declaring full time commitment to the Investment Committee
- No / low declared contributions to the fund by those making investment decisions

Management of conflicts of interest

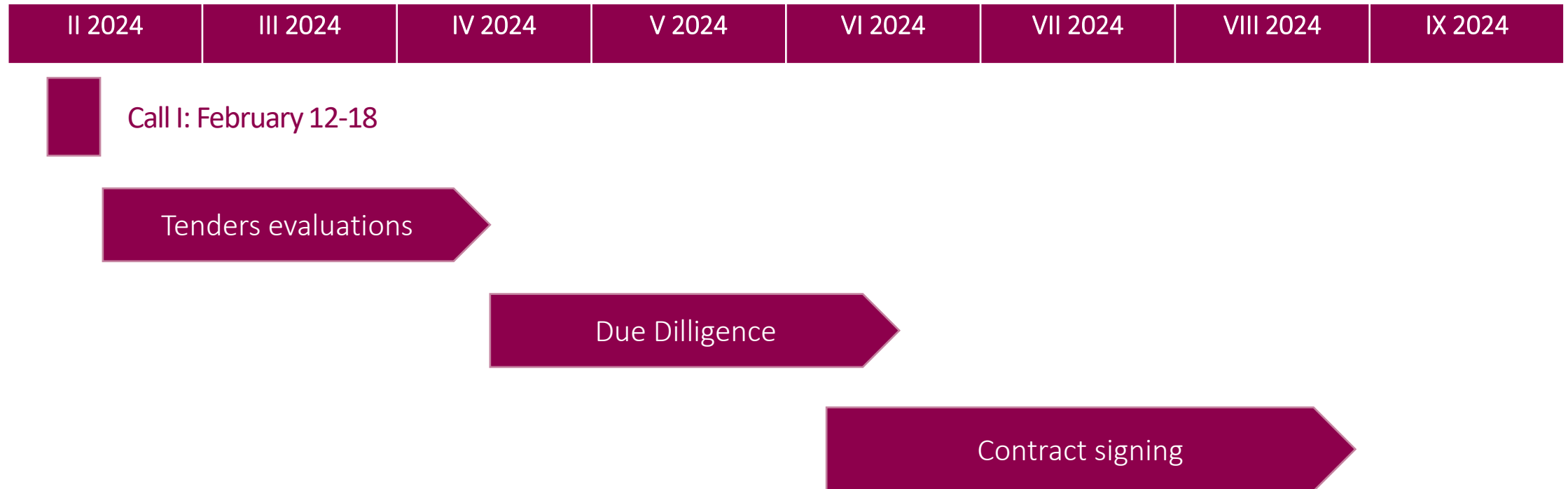


- No market-based valuation validation rules for investments in companies affiliated with Key Personnel or Private Investors
- Affiliations of Team members with other funds/incubators/venture builders generating conflict of interest risks
- Direct investments by KP members or funds affiliated with KP members in competition with the fund
- Management of another VC fund that is in the investment period and engaged in competitive activities

Decision timeline



Call schedule for the PFR KOFFI 2.0 program



Q&A



 **PFR KOFFI**
PFR Ventures



PFR Ventures Sp. z o.o.
50 Street Krucza, 5th floor
00-025 Warsaw

m: +48 22 274 23 73
Helpline: 800 800 120

e: bartlomiej.samsonowicz@pfrventures.pl
e: adrian.nowacki@pfrventures.pl

PFR Ventures

